



Testimony to the

APPROPRIATIONS COMMITTEE

Thursday, February 23, 2017

H.B. No. 7027, AN ACT CONCERNING THE STATE BUDGET FOR THE BIENNIUM ENDING JUNE THIRTIETH 2019, AND MAKING APPROPRIATIONS THEREFOR.

Concerning DDS, DMHAS and DPH budget proposals

Good afternoon Senator Osten, Senator Formica, Representative Walker, Representative Ziobron and members of the Appropriations Committee:

My name is Gian-Carl Casa, President and CEO of the Connecticut Community Nonprofit Alliance. The Alliance is Connecticut's statewide association of community nonprofits, which serve over 500,000 people each year and employ almost 14% of Connecticut's workforce.

BACKGROUND: THE STATE BUDGET DEFICIT AND HOW NONPROFITS CAN HELP

Every year, more than half a million individuals depend on life-sustaining services provided by Connecticut's community nonprofits. As the State faces a \$1.7 billion shortfall in the FY18 budget, the Governor and legislature have two choices to balance the budget: shift services into the community to continue providing services and move thousands of individuals off of waiting lists, or do business as usual, which will result in cutting vital services to thousands of the state's most vulnerable individuals and their families.

Cost-effective, high quality services provided in the community can be part of the solution to the state's budget problems, through the shifting of state-provided services to the nonprofit sector. Budget reductions approved in May and "holdbacks" in July have already cut into programs, reducing services in some agencies and closing the doors of others, leaving thousands of individuals without vital, life-sustaining care. You have an opportunity now to restore funding the holdback amounts rather than annualizing them – and we urge you to do so.. Nonprofits have absorbed significant cuts and cannot sustain more without jeopardizing care for some of the most at-risk residents of our state.

Many groups come before you to ask for funding restorations without pointing to ways to make that funding available. But we have a way by which you can continue services to as many people as possible. Converting certain services from direct state provision to provision by nonprofits means quality care at less cost. Quite simply, the State's dollar goes farther and can serve more people in need.

We ask you to continue such conversions of service provision from the state to nonprofits. The proposal before you includes conversion of certain mental health and substance abuse services and moves forward with the Governor's plan to convert some services in the Department of Developmental Services, but we believe that there exist additional opportunities for the State to shift more services into the community to save money, and reinvest those funds into raising rates and improving services for everyone.

DEPARTMENT OF DEVELOPMENTAL SERVICES

We thank the Governor for his proposal to provide \$3.3 million in FY18 and \$3.8 million in FY19 to support the work of the ID Partnership and to begin to address the waiting list. This new funding is as

necessary as current funding is inadequate to meet the needs of people with intellectual and developmental disabilities and their families.

We are also pleased that the Governor's budget includes proposals to close the Southbury Training School Fire Department, the Ella Grasso and Meriden Regional Centers and to continue the plan to convert 40 community living arrangements from government operations to community providers. But more can and should be done. By converting all residential services in DDS to nonprofit operation, the State could save up to \$150 million per year at the end of a three-year phase-in. That substantial savings could be used to make real progress to move people and families off of the waiting list and improve reimbursement rates to private providers.

Proposed reductions in the DDS budget would have a negative impact on nonprofits and the people and communities they serve:

- The holdbacks in Fiscal Year 2017 were especially hard on providers and the people they serve, resulting in program closures and service disruption across all state departments. The Governor has proposed annualizing those cuts in DDS in the next biennium, which would mean a cut of \$6.7 million in each fiscal year from the budget you passed last year. You now have a chance to make recommendations concerning these cuts, and we ask you to restore the funding and the important work it makes possible.
- The funding provided to serve people who are aging out of the care of DCF and local school systems is not adequate to meet the needs of the community. The Governor's budget proposal aims to fund Employment Opportunities and Day Services for 93 people in FY18 and 99 people in FY19 -- but there are 335 people in FY18 and 355 people in FY19 who are estimated to be part of this population. Inadequate funding for their residential care is also proposed in the Community Residential Services line in the proposed DSS budget.
- The proposed cut of \$3.7 million in each fiscal year from the Behavioral Services Program would reduce critical services offered to children who are eligible for DDS services with complex needs.
- The proposed cut of \$370,000 in each fiscal year to the Family Support Grant would reduce important support for families of people with intellectual and developmental disabilities.

DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES

We applaud the Governor for putting forth a plan to move 21 rehab beds from Blue Hills to private providers, for a cumulative savings of \$2.5 million in FY18 and \$5.0 million in FY19 when combined with other restructuring, but more can be done to achieve more savings. By converting all Local Mental Health Authority services to nonprofit operation, the State could save up to \$102 million per year after a three-year phase-in.

The Governor has proposed combining three grant funding line items, Grants for Mental Health Services, Grants for Substance Abuse Services and Employment Opportunities, into one and then cutting the combined line by \$4.7 million in each fiscal year. Those lines were also cut by a combined \$4.1 million in the FY17 holdbacks, which the Governor proposed annualizing. Grant funding for DMHAS services has been cut by more than \$26 million, a cut of more than 25%, since Fiscal Year 2013.

While there has been increased coverage following the implementation of the Affordable Care Act, a pool of uninsured people still exists. Grants help pay for the cost of care of the most seriously mentally ill, who are more likely to be uninsured or under-insured or to experience gaps in coverage. Community nonprofit providers treat individuals regardless of their ability to pay, and grant funding from DMHAS is essential to cover the costs incurred by providers.

A number of other proposed cuts in the DMHAS budget would have a profound negative impact on nonprofits and the people and communities they serve:

- After the FY17 Holdbacks, which included a \$3.1 million or 15% cut to Grants to Substance Abuse services, programs that served people with the most significant challenges closed and there were many service disruptions. The Governor has proposed annualizing those cuts to DMHAS in the next biennium, a reduction of \$14.2 million in each fiscal year from what you had approved in the budget. You now have a chance to make recommendations concerning these cuts, and we ask you to restore the funding to the levels that were in the original budget agreement.
- The proposed cut of \$1.2 million in each fiscal year is almost all funding to Regional Mental Health Boards and Regional Action Councils, which will eliminate mental health consumer advocacy in Connecticut.
- The proposed cut of \$388,000 in each fiscal year to Legal Services will eliminate legal representation for people with mental illness in all cases except those covered by the consent decree, which will hurt to helping people with mental illness find housing and fight discrimination.

DEPARTMENT OF PUBLIC HEALTH

The Governor has proposed a 10% reduction to School Based Health Centers, a cut of \$921,000 in each fiscal year. School Based Health Centers are part of the essential system of care for children and adolescents, providing physical, mental health, and oral health services to over 44,000 students in CT. Proposed cuts to School Based Health Centers would mean thousands of children will receive fewer direct medical and mental health services provided to them in an accessible way – within their schools. Some of these lost visits will mean that:

- Students who need state-mandated school entry physicals will have access issues, rather than being seen immediately so they can attend school;
- Students with asthma or other treatable conditions that could have been addressed during the school day may now go into an acute medical crisis and need to be seen in the Emergency Department, costly in terms of missed class time and medical expenses; and,
- Students who are in need of mental health supports may now sit on a waiting list rather than being seen before their problems worsen.

HOW TO FUND IMPORTANT SERVICES

There are several ways by which you can help provide services to as many people in need as possible. They include:

- Supporting the Governor's proposals described above that would move certain DDS and DMHAS services so that they are provided by the nonprofit sector.
 - Converting state-run LMHAs to Nonprofit providers, phased in over three years, could save the State up to \$34 million next year, \$68 million in FY 19 and \$408,132,148 over five years.
 - With a similar three-year phase-in, conversion of State-run DDS facilities to nonprofit providers could save as much as \$50 million in FY 18, \$100 million in FY 19 and \$600,313,420 over the same five-year period.

- Converting state agency caseworkers to community case workers, phased-in over three years can save as much as \$48 million over five years – including up to \$4 million in FY 18 and \$8 million in FY 19.
- Reducing state overtime can save as much as \$9 million next year, \$18 million in the second year of the biennium and \$112 million over five years.
- Another bill before you, HB 7007, would create an “innovation incentive program” by which nonprofits could keep money received from a state contract if they have found innovative and efficient ways to save so they didn’t spend it in a give year. This creates an incentive for efficiency and allows that money to be used to provide further innovative services.
- Also before the General Assembly are HBs 5661 and 6155, which would reduce administrative costs for nonprofits by granting them state licenses if they are accredited by a national organization with requirements at least as strict as the State’s. We propose that nonprofits would still have to pay state licensing fees, so there is no loss of state revenue – but providers would save administrative costs associated with state licensing.

These proposals, which allow for funding restorations, provide a real, tangible way to fund social services in Connecticut.

In the context of huge budget deficits the choice before you is clear: continue the status quo and serve fewer people because less money is available, or change the way services are provided, to serve as many people as possible.

We look forward to working with you towards a state budget that serves as many people in need as is possible, both next year and in the future.

Thank you for your consideration and the opportunity to address these issues.

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For more information please contact me at gcasa@ctnonprofitalliance.org.

Attachment (below)

Governor's Fiscal Year 2018-2019 Budget Proposal Cuts Community Programs, Increases Conversion of Services to Nonprofits

2/20/17 (Revised)

Overall, the Governor's proposed biennial budget is a mixed bag for Connecticut's nonprofit community, including some significant cuts, new funding for certain services, and conversions of state operated services to the nonprofit sector.

Cuts to Nonprofits

The proposed budget would make some significant cuts, including (a) annualizing the holdbacks from fiscal year 2017 (b) \$10 million over the biennium from state grants for the mental health, substance abuse and employment opportunity program, and (c) \$11.8 million over the biennium by limiting eligibility for the HUSKY program, (d) a cut to the rate increase for ICFs, (e) elimination of regional mental health boards and regional action councils (f) elimination of independent living centers, and (g) cuts to School Based Health Centers, among other cuts.

Conversion to Nonprofit Provision Of Services

The Governor's budget proposal would continue conversion of state services from direct state provision of services to one in which services are increasingly provided through the nonprofit system. The proposal includes conversion of certain state-operated programming offered through Local Mental Health Authorities (LMHAs) to private providers. It annualizes savings from Department of Developmental Services (DDS) conversions that were announced late last year.

Funding for Community Programs

Under this proposal, DDS would receive \$3.8 million in annualized funding for the ID Partnership, including \$1.0 million to help address the waiting list; \$1.0 million to explore initiatives to develop a broader continuum of community-based residential services; and \$1.8 million to increase rates for lower-paid providers undergoing conversion of DDS grant-funded services to Medicaid fee-for-service payments.

The proposal also includes additional \$14.5 million to address identified gaps under the Department of Children and Families Juan F. Consent Decree.

The budget does not make cuts to arts and culture programs, overall, but does eliminate line-item grants and replaces them with two new line items – one for tourism and the other for arts and historic preservation.

The Governor's bonding bill includes \$25 million annually for the Nonprofit Grant Program.

How the Budget is Balanced

The budget has been balanced by several large changes that are not certain. It estimates \$700 million in savings in the first year from labor concessions that have not occurred and over \$400 million from a controversial proposal to require municipalities to pay a portion of teachers' pension contributions. The fate of these proposals will have a major impact on spending decisions.

As always, the Governor's budget proposal is subject to review and changes by the Appropriations Committee and negotiations between the Governor's office and legislative leaders.

NOTE: This document provides a summary of the Governor's proposed FY 18-19 budget, with a focus on major program and policy changes that impact The Alliance member organizations. The information provided does not reflect all state agency funding, cuts or policy changes. Finally, the document will likely be updated in the coming days as we receive clarification from policymakers.

For more information, contact Jeff Shaw at jshaw@ctnonprofitalliance.org. Department specific inquiries can be directed to: Brunilda Ferraj (bferraj@ctnonprofitalliance.org), Ben Shaiken (bshaiken@ctnonprofitalliance.org) or Julia Wilcox (jwilcox@ctnonprofitalliance.org).

Budget Summary: DDS, DMHAS, DPH

DEPARTMENT OF DEVELOPMENTAL SERVICES

- Fund caseload growth for Employment and Day Services age-outs, supporting annualization for FY17 placements for 93 individuals in FY18 and 99 individuals in FY19: An increase of \$3.8 million in FY18 and \$6.2 million in FY19. \$16.4 million in FY18 and \$32.9 million in FY19 are added to the Community Residential Services line item to support these individuals.
- Annualization of converting 40 community living arrangements from public operated to privately operated and the closure of Ella Grasso and Meriden Regional Centers: A reduction to the DDS budget of \$16.4 million in both fiscal years. \$10.4 million is proposed to be transferred from DDS to DSS for private provider costs for those settings.
- Providing new funding for ID Partnership Initiatives of \$3.3 million in FY18 and \$3.8 million in FY19.
- Annualize FY 2017 holdbacks: A reduction of \$6.7 million in each fiscal year.
- Provide funding for Supportive Housing Supports, reflecting wrap-around services for 70 individuals with intellectual disability or an autism diagnosis residing in new supportive housing supports for new supportive housing units anticipated to open in late-FY19: An increase of \$350,000 in FY19.
- Annualizing FY17 reduction for Behavioral Services Program age-outs, a \$2.2 million reduction in both fiscal years. There is an additional \$1.5 million cut each fiscal year to reflect other individuals aging out of the program, for a total cut of \$3.7 million each fiscal year.
- Cottage closure at Southbury Training School, a \$500,000 reduction in both fiscal years.
- Reducing supplemental payments for medical services funding to reflect current census: A reduction of \$253,000 in each fiscal year.
- Close the Southbury Training School Fire Department: A reduction of \$1.6 million in each fiscal year.
- Reduce Family Support Grant funding: A reduction of \$370,000 in each fiscal year.
- Transfer Abuse and Neglect Responsibilities to from OPA and DORS to DDS: An increase of \$1.0 million each fiscal year.
- Transfer funding for individuals in Skilled Nursing Facilities to DDS to claim federal reimbursement on specialized services: A transfer of \$1.8 million in FY18 and \$2.7 million in FY19.
- Close the transitional unit at Meriden Regional Center, reflecting the transfer of individuals to private group homes, transferring \$900,000 to DSS for private provide placement costs: A total cut to DDS of \$1.5 million each fiscal year.

DEPARTMENT OF MENTAL HEALTH AND ADDICATION SERVICES

- Annualize FY 2017 Holdbacks, which includes cuts over appropriation to a number of line items: A \$14.2 million reduction in each fiscal year.
- Reduce Grants for Mental Health Services, Substance Abuse Services and Employment Opportunities: A \$4.7 million reduction in each fiscal year.
- Reduce Funding to Reflect Restructuring of State Operated Services, to reflect savings due to the conversion of certain state-operated services to private operation: A \$2.5 million reduction in FY18 and a \$5.0 million reduction in FY19.
- Cut funding from Mental Health and Substance Abuse Advocacy Organizations: A \$1.2 million reduction in each fiscal year.
- Relocate Detoxification Services from the Blue Hills campus in Hartford to Middletown: A reduction of \$911,000 in FY18 and \$1.2 million in FY19.
- Reduce funding in certain lines including Managed Service System, TBI Community Services and Home and Community Based Services: A reduction of \$465,000 in each fiscal year.
- Fund Legal Services at Consent Decree Level: A reduction of \$388,000 reduction in each fiscal year.
- Increase Funding in Various Lines to reflect increased costs in translation, medical services costs, Workers' Compensation Claims, Nursing Home Screening and Behavioral Health Medications: A increase of \$3.2 million in each fiscal year.
- Increase funding for caseload growth and annualization for behavioral health services for low-income adults and Money Follows the Person: An increase of \$2.7 million in FY18 and \$5.4 million in FY19.

DEPARTMENT OF PUBLIC HEALTH

- Annualize FY17 lapses: A reduction of \$1.7 million in each fiscal year.
- Reduce funding for School Based Health Centers by 10%: A reduction of \$921,000 in each fiscal year.
- Transfer the Office of Health Care Access to the new Office of Health Strategy in FY19: A reduction of \$2.0 million from DPH in that year.